

Message Text

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ACTION XMB-04

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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC PRIORITY 1076

UNCLAS MANAGUA 4227

FOR: PRESIDENT EXIMBANK FROM AMBASSADOR

E.O. 11652: N/A

TAGS: ETRD, EQIP, NU

SUBJECT: EXIMBANK FINANCING OF NICARAGUAN ROAD EQUIPMENT

REF: STATE 220466

1. IT IS OUR UNDERSTANDING THAT THE NICARAGUAN GOVERNMENT'S LOAN REQUEST FOR \$8 MILLION EXIMBANK FINANCING OF U.S. ROADBUILDING EQUIPMENT WILL BE PRESENTED TO THE BOARD IN NEAR FUTURE.

2. IT MAY BE USEFUL TO RECAPITULATE REASONS WHY WE BELIEVE EXIMBANK SHOULD GIVE SERIOUS CONSIDERATION TO GON LOAN REQUEST: FIRST, PRESIDENT SOMOZA IS UNDER CONSIDERABLE PRESSURE TO PERMIT PURCHASE OF \$40 MILLION IN ROAD EQUIPMENT FROM INTERESTED NON-U.S. SUPPLIERS. IF EXIMBANK CREDIT IS NOT FORTHCOMING, IT IS LIKELY THAT GON WILL PURCHASE NON-U.S. EQUIPMENT WITH POTENTIAL LOSS OF \$40 MILLION IN SALES BY U.S. FIRMS, AND FOLLOW-ON SALES IN 1980'S. SECOND, PRESIDENT SOMOZA TOLD ME SEVERAL WEEKS AGO THAT HE HAS OPTED FOR U.S. EQUIPMENT AS GESTURE OF APPRECIATION FOR PAST U.S. ASSISTANCE TO NICARAGUA, AND HAS TAKEN A SPECIAL INTEREST IN THE TRANSACTION. THIRD, GON HAS MADE CONSIDERABLE EFFORT, INCLUDING INCURRING COST OF STUDY OF MAINTENANCE REQUIREMENTS, IN ORDER TO MEET EXIMBANK

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LOAN CRITERIA. FOURTH, THERE IS A STRONG NEED TO UPGRADE AND EX-

PAND GON INVENTORY OF ROAD MACHINERY AND EQUIPMENT.

3. WE ARE AWARE OF EXIMBANK CONCERN RE AUTHORIZING ADDITIONAL INCREASE IN EXPOSURE IN NICARAGUA. HOWEVER, FOR REASONS NOTED ABOVE, IT IS OUR HOPE THAT A SMALL CREDIT (E.G., \$3.2 MILLION IF BANK APPROVES 40 PERCENT FINANCING) WILL BE APPROVED IN ORDER TO HELP U.S. MANUFACTURERS GAIN A CRUCIAL INITIAL ADVANTAGE IN SELLING TO GON ROAD EQUIPMENT WHOSE POTENTIAL VALUE EXCEEDS \$40 MILLION. IN ADDITION (RE PARA 2D, REFTTEL) RAPIDLY EXPANDING EXPORTS ARE LIKELY TO RELIEVE NICARAGUA'S DEBT SERVICE BURDEN. THE EMBASSY'S LATEST ESTIMATES FORESEE A DEBT-SERVICE RATIO OF 16.4 FOR 1976 AND NOT EXCEEDING 17 PERCENT FOR 1977. (FURTHER DETAILS OF CURRENT ECONOMIC SITUATION ARE REPORTED IN MANAGUA A-77 BEING POUCHED TO DEPT AND EXIM.)
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